



Investment Section

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STATE OF SOUTH CAROLINA
OFFICE OF THE STATE TREASURER
CONVERSE A. CHELLIS III, CPA

October 24, 2007

The Honorable Mark Sanford
Governor, State of South Carolina
Members of the General Assembly of South Carolina

Dear Governor and Members:

As Custodian of funds for the South Carolina Retirement Systems (SCRS), I am pleased to submit the following information on the SCRS investments for Fiscal Year ended June 30, 2007.

During the Fiscal Year 2007, the Chief Investment Officer with the approval of the S C Retirement Investment Commission hired several new managers to further diversify the portfolio. The funding of these new managers began in June 2007. Throughout the year, the Commission continued to diversify the portfolio in accordance with its Annual Investment Plan.

The core fixed income sector, which is managed by this office, has provided the primary source of funds for the diversification program and will continue to do so as we move forward in time. Given the increased requirement for integration of the investment mission for this portfolio and the Retirement System's other assets, it became appropriate that investment management of the core fixed income portfolio be transferred to the direct control of the Commission. Accordingly, effective July 1, 2007, at the conclusion of the 2007 fiscal year, this responsibility was so transferred.

The investment return attained for this year in the consolidated portfolio was 13.35 percent and 8.62 percent, 8.84 percent and 7.02 percent for the three, five and ten year periods respectively. This compares with the assumed actuarial interest rate of 7.25 percent.

As of fiscal year end, the equity portion of the portfolio had grown to 57.8 percent with 47 percent invested in a passively managed account and the remainder in actively managed accounts. The equity allocation returned 18.69 percent for the fiscal year ending June 30, 2007 slightly underperforming the S&P 500 Index and the Russell 3000

Investment Section

Index, which returned 20.59 percent and 26.08 percent respectively. The return for the equity portfolio was 11.68 percent and 10.82 percent for the three and five-year periods respectively.

The bond market was relatively stable during the fiscal year. The Federal Reserve continued its policy of vigilance, influenced by inflation expectations. Federal Reserve policy could best be described as neutral/restrictive with Federal Funds remaining at 5.25% throughout the fiscal year. Accordingly, the bond market offered little volatility, and returns were largely confined to coupon income, although sector and duration judgments contributed to the portfolio's outperforming benchmarks.

The core fixed income portfolio management of which the Treasurer's office was directly responsible, performed exceptionally well for this fiscal year, outperforming the market indices and our private sector peers, at a fraction of the cost. Our return for this past fiscal year was 7.02 percent, exceeding by 15%, the Lehman Aggregate Index, the benchmark for this portfolio, which returned 6.12 percent. The return for the fixed income portfolio was 4.82 percent, 5.47 percent and 6.75 percent for the three, five and ten-year period respectively.

Following the end of the fiscal year, the nationwide collapse in housing, the related seizing up of the credit markets and the risk that these conditions would spread into the economy at large forced the Federal Reserve to act to ease credit conditions. In addition to encouraging banks to borrow from the Federal Reserve to address these specific credit issues, the Federal Reserve also cut the discount rate twice and also reduced the inter-bank lending rate (Federal Funds) to 4.75% for the first time since that rate reached its peak level in this cycle of 5.25% in mid 2006. In taking this action, the Federal Reserve has signaled its concern for the economy and proper functioning of the credit markets, while moving with restraint to remain vigilant on the inflation issue.

Accordingly, it appears at this time that an expected slowdown in growth of the economy can be accomplished without it deteriorating into recession. Against this background, the more diversified investment program, which is in the process of development and implementation, is designed to produce enhanced returns and promote the long-term goals of the Retirement System.

As Custodian of funds, it gives me great pleasure to provide this information.

Yours very truly,



Converse A. Chellis III, CPA
Treasurer

CAC/afw

Investment Section

Reynolds Williams
Chairman

James R. Powers
Vice Chairman

Converse A. Chellis, III, CPA
State Treasurer

Robert L. Borden, CFA
Chief Investment Officer

State of South Carolina Retirement System Investment Commission



Post Office Box 11960
COLUMBIA, SOUTH CAROLINA 29211

Blaine Ewing

Allen R. Gillespie, CFA

S. Travis Pritchett

Nancy E. Shealy
Administrative Director
and General Counsel

November 26, 2007

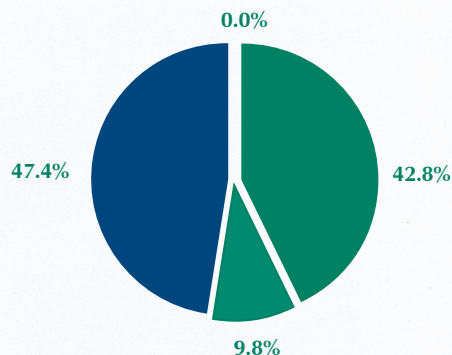
The Honorable Mark Sanford, Governor
Budget and Control Board
State of South Carolina
Members of the General Assembly of South Carolina

Dear Ladies and Gentlemen:

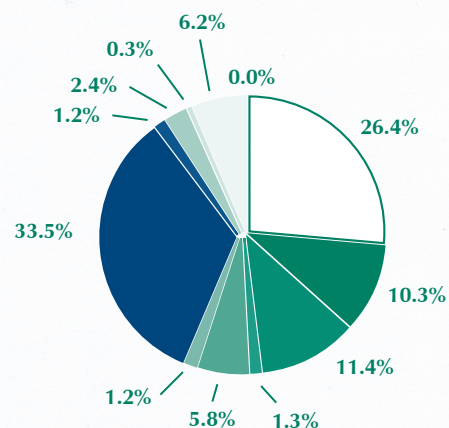
It is our pleasure to provide the report on the investments of the South Carolina Retirement Systems' (Retirement Systems) portfolio by the Investment Commission. We are happy to report that with the February 2007 ratification of an amendment to Section 16, Article X of the state constitution, which effectively broadened the opportunity set for diversifying the investments in the portfolio, the redeployment of the Retirement Systems' assets has been significantly implemented.

Fiscal year 2006 was noteworthy for the creation of the Investment Commission and the structure through which the Retirement Systems' assets could be reallocated into an appreciably improved investment mix. In its turn, fiscal year 2007 was remarkable for building upon this to construct and make major progress toward implementing an asset allocation that we believe will greatly improve the risk and return profile of the portfolio. From a portfolio that was essentially 50% US stocks and 50% US high quality bonds at the beginning of the fiscal year, the portfolio as of October 31, 2007, was well on its way toward being diversified among thirteen broad asset classes.

June 30, 2006*



October 31, 2007*

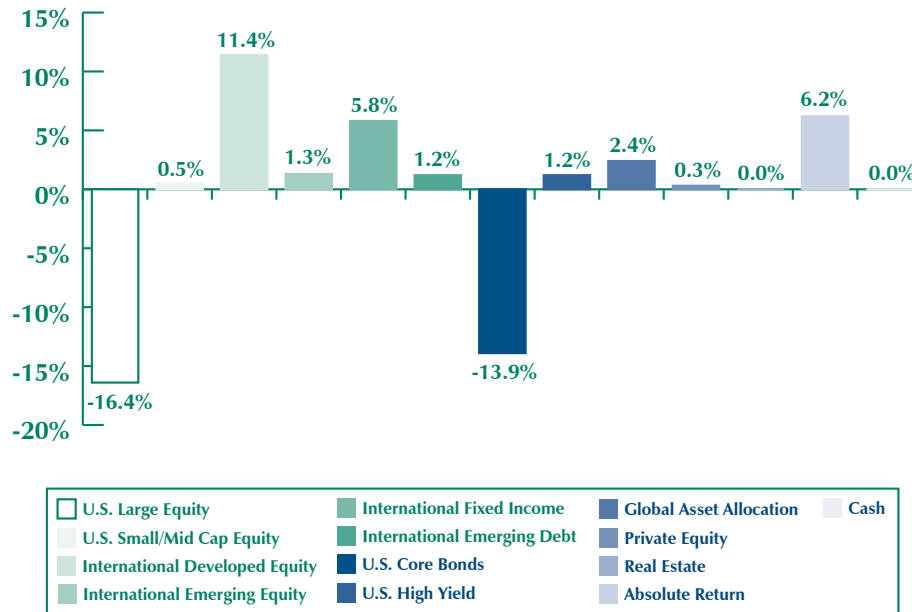


*See legend on the next page for asset classes.

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Investment Section

Asset Allocation Weight Change



The Statement of Investment Objectives (SIO) and Policies (SIP) cover the general guidelines and the goals for the investment of the Retirement Systems' assets. The investment program is implemented through an Annual Investment Plan (AIP) which details the target asset allocation and the rules by which the managers of the assets must comply. Additionally, the AIP sets forth rebalancing procedures, permissible investments, and benchmarks for performance evaluation. Each fiscal year, the goals, objectives and policies of the investment program are reviewed and updated to ensure that the portfolio is managed to achieve the goals of the Retirement Systems with appropriate fiduciary oversight.

As of June 30, 2007, the Retirement Systems' portfolio totaled \$28.56 billion, up from \$25.97 billion a year earlier. At fiscal year end, exposures in the portfolio were 32.8% in US large cap equities, 10.0% in US smallcap equities, 6.8% in international developed market equities, 4.2% in international fixed income, 40.0% in US high quality bonds, 0.1% in private equity, and 6.1% in cash. The shifts from the prior year's allocation to this one occurred mainly in May and June, with more major reallocations occurring after June to arrive at the October 31, 2007, picture shown above.

Unfortunately, due to the previous lack of diversification in the portfolio, the investment returns for the Retirement Systems have lagged its peers. For the one-, three- and five-year periods ended June 30, 2007, the total portfolio returned, gross of fees, 13.35 percent, 8.62 percent and 8.84 percent, respectively, lagging the ICC Large Fund Universe (a commonly used industry database of plan sponsors with assets exceeding \$1 billion) median return by 445, 418, and 276 basis points, respectively. These returns did, however, compare favorably to the assumed actuarial interest rate of 7.25 percent.

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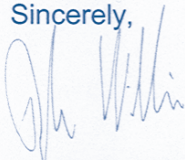
The Commission is committed to using industry best practices to transform South Carolina Retirement Systems' investment program into a top quartile ranked public pension fund, on a risk-adjusted basis, while working to exceed the Commission's target rate of return. We believe that we now have the necessary structure and tools in place to achieve this critical goal. The diversification process and resulting increase in investment performance will not happen overnight, but fiscal year 2007 saw a dramatic step made toward these goals. Particularly due to the difficulty of investing less liquid asset classes such as private equity and real estate, the transition will not be completed in fiscal year 2008, but the majority of the assets will have been reallocated to reflect the approved asset allocation.

The Commission also made significant progress in hiring a highly qualified and professional staff and developing the infrastructure necessary to implement its goals during fiscal year 2007. Also during the year, consulting and investment services were provided by the State Treasurer's Office; Jamison, Eaton & Woods; New England Pension Consultants; Russell Investment Group; and Morgan Stanley.

We are poised for significant, progressive change for the Retirement Systems' investment portfolio. With that change will come great opportunity. We are pleased to be serving the citizens of the State of South Carolina and seizing the opportunity that is before us. The Commission is dedicated to providing complete transparency of its plans, goals, and results to the public.

We are committed to the interests of the members of the Retirement Systems, and we will continue to manage the assets of the fund in a prudent manner, seeking superior returns at acceptable levels of risk. It is a tremendous responsibility and opportunity for us to serve as the Commission's first Chairman and CIO.

Sincerely,



Reynolds Williams, Chairman



Robert L. Borden, CFA

Investment Section

South Carolina Retirement System

Summary of Investment Growth

(Amounts expressed in thousands)

<u>Year Ended June 30,</u>	<u>Market Value of Investments*</u>	<u>% Increase for Year</u>	<u>Net Income from Investments</u>	<u>% Increase for Year</u>
2007	\$ 24,779,857	8.97%	\$ 2,999,209	164.33%
2006	22,741,048	0.99%	1,134,639	-24.20%
2005	22,517,910	5.69%	1,496,887	-14.93%
2004	21,305,463	6.69%	1,759,686	5.83%
2003	19,969,435	8.29%	1,662,781	876.48%
2002	18,440,327	-0.20%	170,284	-86.84%
2001	18,477,867	7.35%	1,293,997	63.33%
2000	17,212,697	4.31%	792,282	101.16%
1999	16,502,052	2.33%	393,856	-79.32%
1998	16,126,828	13.22%	1,904,740	57.12%

Police Officers Retirement System

Summary of Investment Growth

(Amounts expressed in thousands)

<u>Year Ended June 30,</u>	<u>Market Value of Investments*</u>	<u>% Increase for Year</u>	<u>Net Income from Investments</u>	<u>% Increase for Year</u>
2007	\$ 3,257,632	11.66%	\$ 374,623	167.99%
2006	2,917,468	4.31%	139,785	-20.51%
2005	2,796,872	6.52%	175,849	-17.13%
2004	2,625,710	7.90%	212,201	15.22%
2003	2,433,396	8.98%	184,177	886.48%
2002	2,232,967	1.44%	18,670	-87.52%
2001	2,201,277	9.49%	149,574	60.10%
2000	2,010,545	6.49%	93,425	75.27%
1999	1,887,931	4.54%	53,304	-74.37%
1998	1,805,884	15.13%	207,998	57.77%

*Market value includes investment categories classified as cash equivalents for financial statement purposes. Securities lending assets are excluded.

Investment Section

General Assembly Retirement System

Summary of Investment Growth

(Amounts expressed in thousands)

<u>Year Ended June 30,</u>	<u>Market Value of Investments*</u>	<u>% Increase for Year</u>	<u>Net Income from Investments</u>	<u>% Increase for Year</u>
2007	\$ 47,992	5.98%	\$ 5,950	185.23%
2006	45,282	-2.20%	2,086	-35.58%
2005	46,300	3.42%	3,238	-19.67%
2004	44,771	3.93%	4,031	0.65%
2003	43,078	5.09%	4,005	14,203.57%
2002	40,990	-3.51%	28	-99.07%
2001	42,482	5.16%	3,022	65.41%
2000	40,397	2.44%	1,827	54.83%
1999	39,435	1.79%	1,180	-72.79%
1998	38,742	10.94%	4,337	48.43%

Judges and Solicitors Retirement System

Summary of Investment Growth

(Amounts expressed in thousands)

<u>Year Ended June 30,</u>	<u>Market Value of Investments*</u>	<u>% Increase for Year</u>	<u>Net Income from Investments</u>	<u>% Increase for Year</u>
2007	\$ 135,482	10.93%	\$ 16,017	178.00%
2006	122,128	3.24%	5,761	-29.30%
2005	118,299	6.96%	8,148	-11.35%
2004	110,597	7.73%	9,191	4.50%
2003	102,657	8.70%	8,795	758.05%
2002	94,439	0.01%	1,025	-85.62%
2001	94,426	8.99%	7,128	88.02%
2000	86,637	4.13%	3,791	61.18%
1999	83,198	2.87%	2,352	-75.29%
1998	80,878	13.47%	9,520	60.03%

*Market value includes investment categories classified as cash equivalents for financial statement purposes. Securities lending assets are excluded.

Investment Section

National Guard Retirement System

Summary of Investment Growth

(Amounts expressed in thousands)

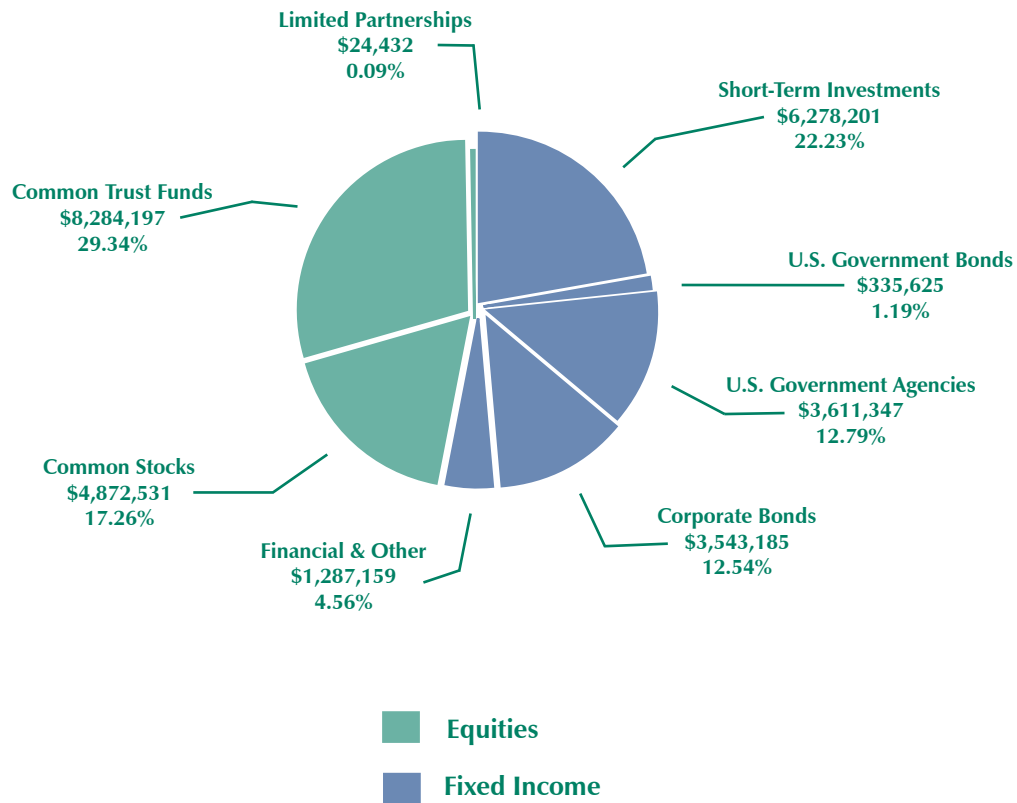
Year Ended <u>June 30,</u>	<u>Market Value of Investments*</u>	<u>% Increase for Year</u>	<u>Net Income from Investments</u>	<u>% Increase for Year</u>
2007	\$ 15,714	23.83%	\$ 2,002	2,149.44%
2006	12,690		89	

*Market value includes investment categories classified as cash equivalents for financial statement purposes. Securities lending assets are excluded.

The South Carolina Retirement Systems assumed administrative responsibilities for the National Guard Retirement System January 1, 2006; therefore, prior year data is not presented.

Investment Section

South Carolina Retirement Systems Schedule of Total Asset Allocation for All Systems Market Value of Investments as of June 30, 2007 (Dollar amounts expressed in thousands)



Note: Short-term investments with an original maturity of three months or less were classified as cash equivalents for financial statement purposes.

Investment Section

Summary of Market Value of Investments (Amounts expressed in thousands)

	South Carolina Retirement System			Police Officers Retirement System		
	<u>Market Value</u>		<u>% of</u>	<u>Market Value</u>		<u>% of</u>
	<u>06/30/2006</u>	<u>06/30/2007</u>	<u>Market Value</u> <u>at 06/30/07</u>	<u>06/30/2006</u>	<u>06/30/2007</u>	<u>Market Value</u> <u>at 06/30/07</u>
Short-Term Investments:						
Repurchase Agreements	\$ 1,358,482	\$ 4,745,326	19.15%	\$ 350,557	\$ 624,156	19.16%
Money Market Funds	1,982	2,025	0.01%	237	249	0.01%
Commercial Paper	29,685	270,695	1.09%	-	40,087	1.23%
Federal Agencies	19,958	281,790	1.14%	4,990	41,730	1.28%
U.S. Treasury Bills	-	199,428	0.80%	-	26,379	0.81%
Forward Contracts	-	2,267	0.01%	-	289	0.01%
	<u>1,410,107</u>	<u>5,501,531</u>	<u>22.20%</u>	<u>355,784</u>	<u>732,890</u>	<u>22.50%</u>
U.S. Government Agencies & Government Insured:						
Treasury Notes	99,806	86,231	0.35%	-	12,770	0.39%
Treasury Bonds	239,589	203,930	0.82%	27,045	30,200	0.93%
Treasury Bonds (Zero Coupons)	287,358	-	0.00%	47,977	-	0.00%
U.S. Government Agencies	3,398,418	3,115,142	12.57%	352,544	461,318	14.16%
Insured Marine Bonds	25,823	7,011	0.03%	4,393	1,039	0.03%
	<u>4,050,994</u>	<u>3,412,314</u>	<u>13.77%</u>	<u>431,959</u>	<u>505,327</u>	<u>15.51%</u>
Corporate Bonds:						
Industrials	1,780,335	1,292,005	5.21%	185,516	191,332	5.87%
Utilities	1,978,987	1,771,219	7.15%	313,494	262,298	8.05%
Financial & Other	1,515,666	1,112,800	4.49%	193,402	164,793	5.06%
	<u>5,274,988</u>	<u>4,176,024</u>	<u>16.85%</u>	<u>692,412</u>	<u>618,423</u>	<u>18.98%</u>
Convertible Bonds	143	-	0.00%	17	-	0.00%
	<u>143</u>	<u>-</u>	<u>0.00%</u>	<u>17</u>	<u>-</u>	<u>0.00%</u>
Common Stock	5,509,162	4,319,996	17.43%	662,613	521,160	16.00%
	<u>5,509,162</u>	<u>4,319,996</u>	<u>17.43%</u>	<u>662,613</u>	<u>521,160</u>	<u>16.00%</u>
Common Trust Funds	6,495,654	7,348,540	29.66%	774,683	877,028	26.92%
	<u>6,495,654</u>	<u>7,348,540</u>	<u>29.66%</u>	<u>774,683</u>	<u>877,028</u>	<u>26.92%</u>
Limited Partnerships	-	21,452	0.09%	-	2,804	0.09%
	<u>-</u>	<u>21,452</u>	<u>0.09%</u>	<u>-</u>	<u>2,804</u>	<u>0.09%</u>
Total Investments	<u>\$ 22,741,048</u>	<u>\$ 24,779,857</u>	<u>100.00%</u>	<u>\$ 2,917,468</u>	<u>\$ 3,257,632</u>	<u>100.00%</u>

Note: Market value excludes securities lending assets.

Investment Section

Summary of Market Value of Investments (Amounts expressed in thousands)

	General Assembly Retirement System			Judges and Solicitors Retirement System		
	<u>Market Value</u>		<u>% of</u>	<u>Market Value</u>		<u>% of</u>
	<u>06/30/2006</u>	<u>06/30/2007</u>	<u>Market Value</u> <u>at 06/30/07</u>	<u>06/30/2006</u>	<u>06/30/2007</u>	<u>Market Value</u> <u>at 06/30/07</u>
Short-Term Investments:						
Repurchase Agreements	\$ 1,139	\$ 9,397	19.58%	\$ 6,111	\$ 25,825	19.06%
Money Market Funds	4	4	0.01%	10	11	0.01%
Commercial Paper	-	520	1.08%	-	1,602	1.18%
Federal Agencies	-	541	1.13%	-	1,668	1.23%
U.S. Treasury Bills	-	403	0.84%	-	1,104	0.81%
Forward Contracts	-	4	0.01%	-	12	0.01%
	<u>1,143</u>	<u>10,869</u>	<u>22.65%</u>	<u>6,121</u>	<u>30,222</u>	<u>22.30%</u>
U.S. Government Agencies & Government Insured:						
Treasury Notes	-	166	0.35%	9,984	511	0.38%
Treasury Bonds	1,096	391	0.81%	670	1,207	0.89%
Treasury Bonds (Zero Coupons)	-	-	0.00%	-	-	0.00%
U.S. Government Agencies	6,583	5,980	12.46%	15,021	18,441	13.61%
Insured Marine Bonds	-	13	0.03%	-	41	0.03%
	<u>7,679</u>	<u>6,550</u>	<u>13.65%</u>	<u>25,675</u>	<u>20,200</u>	<u>14.91%</u>
Corporate Bonds:						
Industrials	3,989	2,480	5.17%	9,151	7,649	5.65%
Utilities	4,328	3,400	7.08%	11,970	10,485	7.74%
Financial & Other	3,036	2,136	4.45%	7,339	6,588	4.86%
	<u>11,353</u>	<u>8,016</u>	<u>16.70%</u>	<u>28,460</u>	<u>24,722</u>	<u>18.25%</u>
Convertible Bonds	<u>1</u>	<u>-</u>	<u>0.00%</u>	<u>1</u>	<u>-</u>	<u>0.00%</u>
	<u>1</u>	<u>-</u>	<u>0.00%</u>	<u>1</u>	<u>-</u>	<u>0.00%</u>
Common Stock	<u>11,531</u>	<u>9,050</u>	<u>18.86%</u>	<u>28,400</u>	<u>22,325</u>	<u>16.48%</u>
	<u>11,531</u>	<u>9,050</u>	<u>18.86%</u>	<u>28,400</u>	<u>22,325</u>	<u>16.48%</u>
Common Trust Funds	<u>13,575</u>	<u>13,464</u>	<u>28.05%</u>	<u>33,471</u>	<u>37,894</u>	<u>27.97%</u>
	<u>13,575</u>	<u>13,464</u>	<u>28.05%</u>	<u>33,471</u>	<u>37,894</u>	<u>27.97%</u>
Limited Partnerships	<u>-</u>	<u>43</u>	<u>0.09%</u>	<u>-</u>	<u>119</u>	<u>0.09%</u>
	<u>-</u>	<u>43</u>	<u>0.09%</u>	<u>-</u>	<u>119</u>	<u>0.09%</u>
Total Investments	<u>\$ 45,282</u>	<u>\$ 47,992</u>	<u>100.00%</u>	<u>\$ 122,128</u>	<u>\$ 135,482</u>	<u>100.00%</u>

Note: Market value excludes securities lending assets.

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Summary of Market Value of Investments (Amounts expressed in thousands)

National Guard Retirement System			
	<u>Market Value</u>		% of
	06/30/2006	06/30/2007	Market Value at 06/30/07
Short-Term Investments:			
Repurchase Agreements	\$ 5,148	\$ 2,185	13.90%
Money Market Funds	-	-	0.00%
Commercial Paper	-	205	1.30%
Federal Agencies	-	213	1.36%
U.S. Treasury Bills	-	85	0.54%
Forward Contracts	-	1	0.01%
	<u>5,148</u>	<u>2,689</u>	<u>17.11%</u>
U.S. Government Agencies & Government Insured:			
Treasury Notes	-	65	0.41%
Treasury Bonds	-	154	0.98%
Treasury Bonds (Zero Coupons)	-	-	0.00%
U.S. Government Agencies	2,816	2,357	15.00%
Insured Marine Bonds	-	5	0.03%
	<u>2,816</u>	<u>2,581</u>	<u>16.42%</u>
Corporate Bonds:			
Industrials	1,082	977	6.22%
Utilities	1,125	1,340	8.53%
Financial & Other	2,519	842	5.36%
	<u>4,726</u>	<u>3,159</u>	<u>20.11%</u>
Convertible Bonds	<u>-</u>	<u>-</u>	<u>-</u>
	-	-	-
Common Stock	<u>-</u>	<u>-</u>	<u>-</u>
	-	-	-
Common Trust Funds	<u>-</u>	<u>7,271</u>	<u>46.27%</u>
	-	7,271	46.27%
Limited Partnerships	<u>-</u>	<u>14</u>	<u>0.09%</u>
	-	14	0.09%
Total Investments	<u>\$ 12,690</u>	<u>\$ 15,714</u>	<u>100.00%</u>

Note: Market value excludes securities lending assets.

Investment Section

South Carolina Retirement Systems List of Largest Assets Held As of June 30, 2007

Common Trust Funds

<u>Units</u>	<u>Description</u>	<u>SCRS</u>	<u>PORS</u>	<u>GARS</u>	<u>JSRS</u>	<u>NGRS</u>	<u>Market Value</u>
25,268,097	State Street Global Advisors (S&P 500 equity index fund)	\$ 6,438,668,742	\$ 768,696,223	\$ 12,004,929	\$ 33,213,519	\$ 5,576,413	\$ 7,258,159,826
9,184,815	State Street Global Advisors (Russell 2000 equity index fund)	405,155,582	48,070,709	474,668	2,076,395	1,433,535	457,210,889
3,435,005	Barclays Global Investors Alpha Tilts Fund (large cap active core equity fund)	504,715,117	60,261,399	984,885	2,603,325	260,949	568,825,675
Total							<u><u>\$ 8,284,196,390</u></u>

Top 10 Actively Managed Equity Holdings

<u>Units</u>	<u>Description</u>	<u>SCRS</u>	<u>PORS</u>	<u>GARS</u>	<u>JSRS</u>	<u>NGRS</u>	<u>Market Value</u>
1,466,750	Citigroup Inc	\$ 66,032,593	\$ 8,666,101	\$ 129,137	\$ 360,613	\$ 41,164	\$ 75,229,608
2,733,250	Yahoo Inc	65,087,667	8,542,089	127,289	355,453	40,575	74,153,073
2,101,530	Ebay Inc	59,359,631	7,790,343	116,087	324,171	37,004	67,627,236
1,971,710	Dell Inc	49,410,439	6,484,613	96,630	269,837	30,802	56,292,321
1,171,415	Electronic Arts	48,654,731	6,385,434	95,152	265,710	30,331	55,431,358
1,221,240	Expeditors International	44,271,132	5,810,132	86,579	241,771	27,598	50,437,212
1,115,240	Walgreen Company	42,621,263	5,593,604	83,352	232,761	26,569	48,557,549
743,145	Johnson & Johnson	40,194,332	5,275,094	78,606	219,507	25,057	45,792,596
1,167,920	Whole Foods Mkt Inc	39,262,814	5,152,842	76,784	214,420	24,476	44,731,336
686,140	Costoco Corp	35,244,115	4,625,429	68,925	192,473	21,971	40,152,913
Total							<u><u>\$ 558,405,202</u></u>

Top 10 Fixed Income Holdings

<u>Par Value</u>	<u>Description</u>	<u>SCRS</u>	<u>PORS</u>	<u>GARS</u>	<u>JSRS</u>	<u>NGRS</u>	<u>Market Value</u>
\$ 230,000,000	U.S. Treasury Bills (held as collateral at Goldman) due 9/27/07	\$ 196,595,226	\$ 29,113,580	\$ 377,382	\$ 1,163,802	\$ 148,710	\$ 227,398,700
200,000,000	Federal Home Loan Bank Discount Note due 07/25/07	172,238,301	25,506,589	330,626	1,019,615	130,286	199,225,417
155,055,763	GNMA #781987 5.50% due 10/15/35	130,260,891	19,290,198	250,047	771,117	98,533	150,670,786
151,648,543	GNMA #651753 5.50% due 03/15/36	127,266,099	18,846,703	244,298	753,389	96,268	147,206,757
148,464,299	GNMA #651860 5.50% due 06/15/36	124,593,827	18,450,969	239,169	737,569	94,246	144,115,780
124,586,640	GNMA #621244 5.50% due 05/15/37	104,533,737	15,480,291	200,662	618,818	79,072	120,912,580
124,218,911	GNMA #550657 5.50% due 09/15/35	104,346,550	15,452,571	200,302	617,710	78,931	120,696,064
122,299,520	GNMA #658297 5.50% due 02/15/37	102,614,741	15,196,109	196,978	607,458	77,621	118,692,907
121,743,660	GNMA #728138 5.50% due 02/15/37	102,225,185	15,138,420	196,230	605,152	77,326	118,242,313
120,777,158	GNMA #651722 5.50% due 02/15/36	101,358,296	15,010,043	194,566	600,020	76,670	117,239,595
Total							<u><u>\$ 1,464,400,899</u></u>

Note: A complete list of portfolio holdings is available upon request.

Investment Section

South Carolina Retirement Systems Schedule of Investment Results Combined Investment Portfolio

Fiscal Years ended June 30,	Benchmarks					Actual Performance			
	91 Day Treasury Bill Index	Lehman Aggregate	S&P 500 Equity Index	Consumer Price Index (CPI) ¹	Assumed Rate of Return	Cash ²	Domestic Fixed Income	Domestic Equity ³	Total Portfolio
2007	5.21%	6.12%	20.59%	2.71%	7.25%	5.58%	7.02%	18.69%	13.35%
2006	3.99%	-0.81%	8.64%	4.33%	7.25%	4.44%	0.69%	10.34%	5.13%
2005	2.15%	6.80%	6.32%	2.53%	7.25%	2.30%	6.87%	7.24%	7.02%
2004	-	0.33%	19.10%	3.27%	7.25%	-	1.49%	20.88%	8.76%
2003	-	10.40%	0.25%	2.11%	7.25%	-	11.67%	-0.40%	8.88%
2002	-	8.63%	-17.99%	1.07%	7.25%	-	8.22%	-17.32%	0.93%
2001	-	11.23%	-14.83%	3.25%	7.25%	-	10.85%	-7.75%	7.15%
2000	-	4.56%	7.25%	3.73%	7.25%	-	4.23%	10.23%	4.75%
1999	-	3.13%	-	1.96%	7.25%	-	2.33%	-	2.45%
1998	-	10.54%	-	1.68%	7.25%	-	15.07%	-	15.07%
3-Year Annualized	3.78%	3.98%	11.69%	3.15%	7.25%	4.10%	4.82%	11.68%	8.62%
5-Year Annualized	2.76%	4.48%	10.70%	2.95%	7.25%	-	5.47%	10.82%	8.84%
10-Year Annualized	3.78%	6.02%	7.13%	2.63%	7.25%	-	6.75%	-	7.02%

¹Measure of the Consumer Price Index (CPI) - All Urban Consumers (all items) represents the year-over-year changes in prices of all goods and services purchased for consumption by urban households and includes expenditures by urban wage earners and clerical workers, professional, managerial, and technical workers, the self-employed, short-term workers, the unemployed, retirees and others not in the labor force. This represents about 80 percent of the total U.S. population and is the broadest, most comprehensive measure of changes in prices of goods and services.

²Effective July 1, 2004, a 2 percent (approximately) portion of the aggregate fixed income portfolio was segmented into a liquidity pool of short duration investments to more efficiently manage cash flows.

³Equity segment funded June 1999.

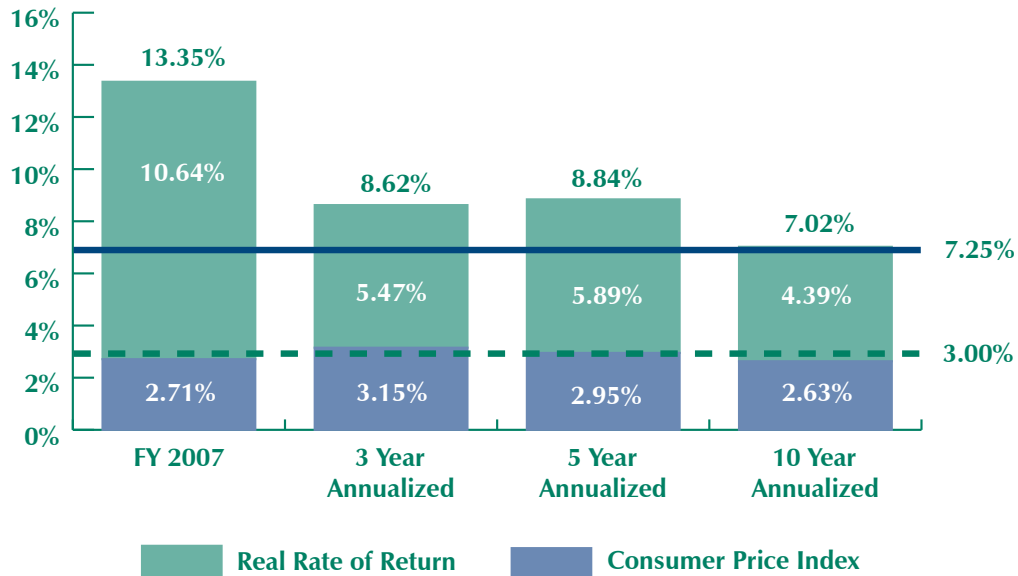
A new Private Equity segment was funded March 2007; however, separate performance results were not reported for the initial 2007 funding year.

Note: Calculations were prepared using a time-weighted, market rate of return in accordance with the Chartered Financial Analyst (CFA) Institute's performance presentation standards.

Investment Section

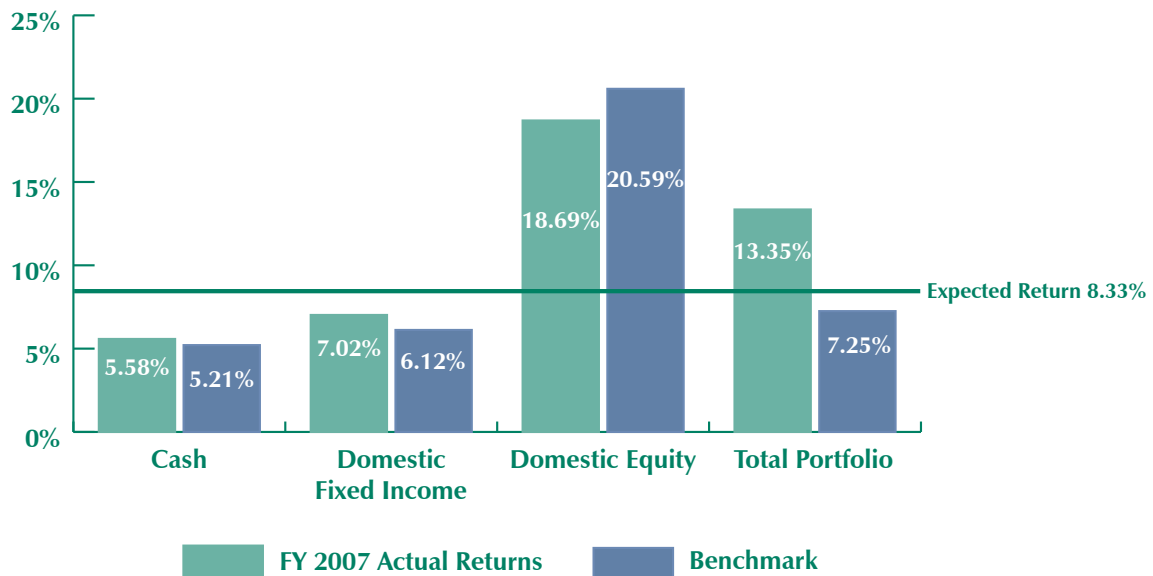
South Carolina Retirement Systems

Investment Performance Summary



Note: Actuarial assumption includes a 7.25 percent annual investment rate of return, which is composed of 3 percent inflation and 4.25 percent real rate of return, net of investment and administrative expenses.

Fiscal Year 2007 Investment Performance by Market Segment



Note: The assumed Investment Rate of Return for actuarial purposes is 7.25 percent and the South Carolina Retirement System Investment Commission (SCRSIC) adopted an asset allocation model expected to generate a gross annual investment return of 8.33 percent for the total portfolio.

Investment Section

South Carolina Retirement Systems Schedule of Investment Fees and Commissions For the Year Ended June 30, 2007

	Market Value of Assets under Management at June 30, 2007 ¹	Fees
Investment Managers' Fees:		
Equity Managers' Fees	\$ 16,506,383,790	\$ 32,064,671
Other Investment Service Fees:		
Limited Partnership Expenses		2,499,333
Bank Fees		1,582,850
		<u>\$ 36,146,854</u>

Brokerage Firm	Number of Shares Traded	Commissions ²	Average Commissions per Share
ITG, Inc.	49,280,928	\$ 774,644	0.0157
Merrill Lynch Pierce Fenner & Smith	14,239,085	328,615	0.0231
Investment Technology Group	17,278,933	317,864	0.0184
Lehman Brothers Inc., USA	11,253,338	284,670	0.0253
Credit Suisse First Boston	12,885,663	281,871	0.0219
Bear Stearns & Co., Inc.	6,992,425	272,994	0.0390
Banc/America Securities, LLC	10,310,318	267,188	0.0259
Goldman Sachs & Co.	10,226,741	247,679	0.0242
Citigroup Global Markets, Inc.	10,416,147	243,264	0.0234
UBS Financial Securities, LLC	7,911,762	237,751	0.0301
Liquidnet, Inc.	10,486,334	226,899	0.0216
Morgan Stanley & Co.	9,474,556	220,200	0.0232
Cantor, Fitzgerald & Co., Inc.	11,158,404	219,997	0.0197
Jefferies & Company, Inc.	8,884,894	193,282	0.0218
Abel Noser Corporation	11,064,364	190,608	0.0172
Deutsche Banc/Alex Brown	5,581,511	165,993	0.0297
Instinet Corporation	7,850,241	138,434	0.0176
Weeden & Co.	6,911,623	135,533	0.0196
J.P. Morgan Securities, Inc.	4,101,048	133,596	0.0326
Piper Jaffray & Co.	2,529,162	95,606	0.0378
Sanford C. Bernstein & Co., LLC	3,425,828	91,975	0.0268
CIBC World Markets Corp	2,315,302	89,481	0.0386
Raymond James & Associates	2,175,104	88,863	0.0409
Wachovia Secs Capital Market	2,266,783	88,515	0.0390
Keybank Capital Markets	2,419,359	85,027	0.0351
Bear Stearns Securities Corp	3,829,346	84,572	0.0221
Friedman, Billings & Ramsey	2,093,086	82,991	0.0396
Instinet Clearing Services, Inc.	5,313,887	78,101	0.0147
National Financial Services Corp	4,473,860	75,231	0.0168
Baird Robert W & Co., Inc.	1,951,080	74,646	0.0383
BNY Convergen Exec Solutions	3,317,958	71,675	0.0216
Merrill Lynch Professional	3,059,701	68,132	0.0223
BNY Brokerage, Inc.	1,377,844	55,361	0.0402
Morgan Keegan & Co., Inc.	1,207,788	53,927	0.0446
Jones & Associates, Inc.	2,517,194	53,174	0.0211
Keefe Bruyette & Woods, Inc.	1,238,595	50,284	0.0406
All others ³	62,429,235	1,773,315	0.0284
	<u>334,249,427</u>	<u>\$ 7,941,958</u>	<u>0.0238</u>

Data provided by the Bank of New York/Mellon, Custodial bank.

¹Assets under management include categories classified as cash and cash equivalents for financial statement purposes.

²Commissions paid to brokers are considered a part of the investment asset cost and are therefore not reported as expenses of the System.

³Other brokers include 160 additional brokers each receiving less than \$50,000 in total commissions.

Investment Section

South Carolina Retirement Systems Schedule of Investment Managers and Fees For the Year Ended June 30, 2007 (Amounts expressed in thousands)

<u>Investment Manager</u>	<u>Style</u>	<u>Initial Funding Date</u>	<u>Market Value of Assets under Management at June 30, 2007¹</u>	<u>Fees</u>
State Street Global Advisors Boston, MA	Large Cap Passive S&P 500 Index Fund	June 16, 1999	\$ 7,258,160	\$ 187
Flippin, Bruce & Porter, Inc. ⁵ Lynchburg, VA	Large Cap Value	March 2, 2000	45	784
AllianceBernstein, LP ³ New York, NY	Large Cap Value	May 3, 2000	114	1,055
Aronson + Johnson + Ortiz, LP ² Philadelphia, PA	Large Cap Value	September 21, 2005	781,604	-
Pzena Investment Management, LLC New York, NY	Large Cap Value	September 21, 2005	528,205	1,978
AllianceBernstein, LP ³ New York, NY	Large Cap Growth	July 2, 2001	13	380
Legg Mason Capital Management, Inc. Baltimore, MD	Large Cap Growth	September 21, 2005	483,710	1,625
Sands Capital Management, LP ⁷ Arlington, VA	Large Cap Growth	September 21, 2005	56	1,710
WCM Investment Management Lake Forest, CA	Large Cap Growth	September 21, 2005	680,476	2,765
Wellington Management Company, LLP ⁸ Boston, MA	Large Cap Core	March 15, 2000	61	3,011
Barclays Global Investors, NA San Francisco, CA	Large Cap Core	April 16, 2004	568,826	1,415
State Street Global Advisors Boston, MA	Small/Mid Cap Passive Russell 2000 Index Fund	October 1, 2001	457,211	151
Wells Capital Management, Inc. (Benson Value Team) Portland, OR	Small Cap Value	October 1, 2002	417,109	2,383
Integrity Asset Management, LLC Louisville, KY	Small Cap Value	March 15, 2005	170,111	987
Thompson, Siegel & Walmsley, Inc. Richmond, VA	Small Cap Value	March 15, 2005	255,362	1,580
TimesSquare Capital Management, LLC New York, NY	Small Cap Growth	October 1, 2002	380,305	2,659
Batterymarch Financial Management, Inc. Boston, MA	Small Cap Growth	March 15, 2005	229,100	1,384
Turner Investment Partners, Inc. Berwyn, PA	Small Cap Growth	March 15, 2005	259,595	1,749
ClariVest Asset Management, LLC San Diego, CA	Small Cap Growth	June 5, 2006	327,955	1,224
Fidelity Management Trust Company Boston, MA	Small Cap Core	May 23, 2000	462,603	2,552
Aquiline Capital Partners, LLC ⁴ New York, NY	Private Equity	March 28, 2007	24,433	2,393
Russell Investment Group ⁶ Tacoma, WA	Beta Overlay	May 29, 2007	3,221,111	93
State Street Bank & Trust Co. (as Transition manager) ⁹ Boston, MA			219	-
			<u>\$ 16,506,384</u>	<u>\$ 32,065</u>

¹Assets under management include categories classified as cash and cash equivalents for financial statement purposes.

²Aronson + Johnson + Ortiz, LP, was funded September 2006. The manager's fee is calculated strictly on performance based on annualized returns and includes no base fee. No fees are payable until after the first three full calendar quarters.

³The contract with AllianceBernstein, LP, (large cap value and large growth) was terminated June 2007.

⁴Aquiline Capital Partners, LLC, was funded March 28, 2007.

⁵The contract with Flippin, Bruce & Porter, Inc., was terminated June 2007.

⁶Russell Investment Group was funded May 29, 2007.

⁷The contract with Sands Capital Management, LP, was terminated June 2007.

⁸The contract with Wellington Management Company, LLP, was terminated June 2007.

⁹The balance held by State Street Bank & Trust, Co., represents funds remaining at fiscal year-end during the transition from J. L. Kaplan Associates, LLC, to the S&P 500 fund during May 2006.

Investment Section

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